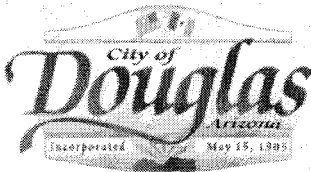


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## THE CITY OF DOUGLAS

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TELEPHONE (520) 417-7303 FAX (520) 417-7149



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City Manager

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August 19, 2009

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Mr. Paul Newman  
Commissioner  
Arizona Corporation Commission  
1200 W. Washington, 2<sup>nd</sup> Floor  
Phoenix, AZ 85007

Arizona Corporation Commission  
DOCKET CONTROL

Re: Arizona Public Service, Service Schedule 3, Rate Review

DOCKETED BY

Dear Commissioner Newman:

This letter is to express our concern as it relates to Arizona Public Service (APS), Service Rate Schedule 3, that stipulates the policy and terms under which APS will extend its facilities to provide services to new or upgraded facilities and that the associated fees are not refundable.

Our basic concern is that new and existing customers are required to pay a non-refundable fee to APS based on the customer's location, load size and load characteristics in the event that new or upgraded facilities are required to adequately meet the customer's need.

We understand that all of us need to pay for the fair share of the costs associated with new development or upgrades to an existing facility, but at the same time, our concern is that no back-up information is provided to the customer regarding the cost and its breakdown associated with required work to extend/upgrade the power grid infrastructure.

In addition, the customer does not have a way or assurances that the required upgrades are essential and necessary to the provision of the requested services. The other component to this, is the fact that APS does not competitively bid the required work thus it does not allow the customer the opportunity to mitigate the fiscal impact associated with the required work, or simply, the customer does not know if the work that APS will perform is done efficiently and effectively and thus reducing the fiscal impact to the customer.

Past APS policy allowed for a reimbursement of the up-front costs to extend their facilities based on the actual customer's usage over a specific period of time, which essentially resulted in a win-win situation both for APS and the customer. As the customer would put up the up-front money for the upgrades and that APS would not have any investment risk on making the improvements and that the customer would received a reimbursement of its upfront costs based on it's utilization over a specified period of time.

*"Douglas - the premier southwestern border community."*

From our perspective the existing Service Rate Schedule 3 provides a win situation for APS but not from the customer's perspective. Recently, we have been negatively impacted by this policy in two separate instances which are:

**Douglas Call Center:** The City of Douglas was approached by Advanced Call Center Technologies (ACCT) in May 2008, to set up operations in the Douglas area which would consist of approximately 600 new jobs. The City of Douglas and ACCT signed a 15-year lease agreement on June 2008, and the building was fully operational on December 2008. The Douglas ACCT site is located on the east side of town where an old vacant grocery building that had been vacant for over 20 years. The building was completely renovated and has brought life to the Douglas east shopping district. Unfortunately, the City of Douglas was required to pay \$69,532.58 to upgrade the APS infrastructure in order for APS to provide power to the Douglas ACCT Call Center. APS had not received any substantial revenue from this site for over twenty years. ACCT monthly electrical bill is approximately \$5,000.00 a month (\$60,000/year).

**City of Douglas, Well #16:** The City of Douglas has been mandated by the Arizona Department of Environmental Quality to secure new groundwater sources that would meet the current arsenic maximum contaminant levels. As a result of this, the city has drilled a new well and is in the process of equipping it. Unfortunately, the City of Douglas is required to pay to APS \$30,597.92 to upgrade the APS infrastructure in order for APS to provide power to Well 16. The projected monthly electrical bill for this well site is estimated at \$6,800 per month (\$81,600/year).

The City of Douglas has been negatively impacted **\$100,130.50** in just one year by this APS Service Schedule 3 policy.

Certainly, this policy has not only negatively impacted us as customers, but has also impacted our community as this policy is and will continue to stifle new development in the Douglas area and any other rural community served by APS.

I trust that based on the information provided you can appropriately deliberate and make a sound conscious decision that will not negatively impact Arizona's rural communities.

Sincerely,



Curtis A. Shook  
City Manager